

Message Text

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E.O. 11652: NA

TAGS: EFIN BEXP YO

SUBJ: KOSOVO PROJECT - STATUS REPORT

1. PROTRACTED NEGOTIATIONS ON KOSOVO THERMOELECTRIC PROJECT MAY FINALLY BE MOVING TO CULMINATION. PRINCIPAL BIDDERS SUBMITTED REVISED OFFERS LAST WEEK AND MAY FURTHER IMPROVE THEIR PROPOSALS IN NEXT FEW DAYS. WE WOULD THEN EXPECT CUSTOMER TO RANK BIDS AND NEGOTIATE INTENSIVELY WITH FIRST CHOICE.

2. WESTINGHOUSE/BABCOCK-WILCOX, MANN/STEIN (GERMAN/FRENCH), CEM/STEIN (FRENCH), AND POSSIBLY KWU ALL REMAIN IN STRONG COMPETITION. COMBUSTION ENGINEERING APPEARS OUT. INVEST-IMPORT, CUSTOMER'S IMPORT AGENT, JOCKEYING BETWEEN ALL REMAINING CONTENDERS. COMPETING LOCAL MANUFACTURERS' AGENTS AND LICENSEES ARE CHURNING UP THE SITUATION.

3. CUSTOMER MAY marginally-favor US FIRMS. PERSEVERANCE OF WESTINGHOUSE AND BABCOCK-WILCOX AND AVAILABILITY SOME EXIMBANK FINANCING FROM EARLY DATE UNDOUBTEDLY HAVE HELPED. INVEST-IMPORT, HOWEVER, HAS EQUAL VOICE ON DECISION-MAKING COMMITTEE; IF INVEST-IMPORT HAS ANY FAVORITE, IT IS NOT US. BOTH CUSTOMER AND INVEST-IMPORT FIND WESTINGHOUSE DEFICIENT BECAUSE OF PRICE, UNCAPPED ESCALATION AND INTEREST RATE OF FINANCING. BABCOCK-WILCOX ALSO CRITICIZED FOR INTEREST RATE, BUT HAS CAPPED ESCALATION. SILBERMAN

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